



Mpoofana Municipality



Annual Report. 2008/2009



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1.1 Foreword by the Mayor.



HONOURABLE MAYOR: MR. M. S. MTHETHWA

The year 2008/09 marks a turning point in the history of Mpofana Municipality. For the first time since establishment, the municipality received a direct allocation of the Municipal Infrastructure Grant from the National Government. In the past, due to limited capacity to mobilise internal financial resources, the municipality battled to plan and implement projects with certainty.

Municipalities, as a distinctive sphere of government has specific legislated powers to mobilise financial resources by levying rates and various charges for services rendered. The financial viability of the municipality can only be improved or maintained by improving the capacity to generate own financial resources and progressively reducing the level of dependency on grant funding. In the financial year under review, we have been able to implement the new valuation roll compiled in terms of the newly introduced Property Rates Act. The introduction of this roll afforded us with an opportunity and capacity to implement the National Government's policy of providing free basic services to communities. Our municipality has been able to remove refuse free of charge to all domestic households in areas where the service is currently being rendered



One of the impediments in attracting investors to grow and strengthen our economy is the state of the infrastructure which has severely deteriorated. We have targeted various components of the infrastructure as key to our programme of revitalizing the economy of the municipality. Our programme commenced with the upgrade of electricity power station which was completed during the previous financial year. In the year under review, we completed phase one of the CBD road network.

No matter how much financial resources are available, the critical determinant of the municipality's ability to deliver the services is the concomitant capacity to spend and utilize whatever resources available efficiently and effectively. In spite of limitations on our capacity, we have been able to spend 100% of our allocation to make significant improvements on the access roads of Gwala Park; a project that will be completed in the next financial year. More than 300 households will now be able to have access with ease following a significant upgrade of the roads and thereby making a contribution towards the improvement of the quality of life for the Gwala Park community.

The rectification of houses in Townview is progressing at a very fast pace. The quality of workmanship is promising to deliver decent houses for the community that has endured difficulties in having to stay in a place that takes away their dignity. By this time in the next financial year, we will be celebrating with the community of Townview for having regained their dignity and ushering in a period of a better life.

Mr. M. S. Mthethwa
Honourable Mayor

1.2 Overview of the Municipality.



1.2.1 DEMOGRAPHICS

Mpofana Municipality is divided into four wards which cover an area of approximately 181 000 hectares and these are:

- Ward 1 (Mooi River) can be described as primarily a formal urban area with denser development,
- Ward 2 is made up of a town area (Rosetta) and peripheral rural settlements (Dabulamanzi, Kamberg and Tendele),
- Ward 3 is predominantly made up of urban area Bruntville and Townview, and
- Ward 4 is predominantly rural in nature and consists of areas such as Rietvlei, Middelrus and parts of Muden (See Annexure 8.2 for the Ward Demarcation Map).



1.2.2 POPULATION

In terms of community survey for 2007 Mpfana Municipality has a total population of 31 517 people and out of this number there were 15 668 voters registered for the local government elections in 2006 (IEC statistics). These can be broken down per ward as follows:

- A. Ward 1 - 3686 voters
- B. Ward 2 - 3525 voters
- C. Ward 3 - 3955 voters
- D. Ward 4 - 4502 voters

TABLE 1: POPULATION GROUPING

Population Group	African		Coloured / Asian		Indian		White		Total
Census 1996	20 932	84.4%	206	0.83%	720	2.90%	2 936	11.84%	24 794
Census 2001	33 148	90 %	213	0.57%	797	21.6%	2 662	7.23%	36 820
Community Survey 2007	28724	91.14%	222	0.70%	861	2.73%	1709	5.42%	31 517

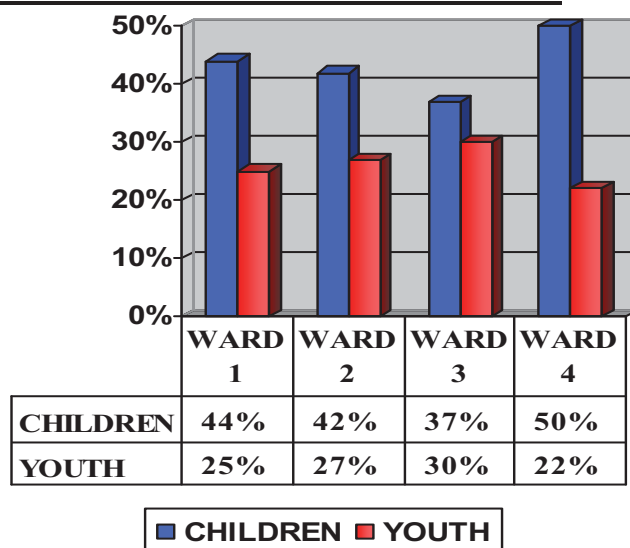
In terms of Stats SA 2001 Census data, Mpfana Municipality had a total population of 36 820 people compared to the 1996 data of 24 794 which showed a significant increase in the population of approximately 49%. According to the 2007 Community Survey, table 1 above indicates that the current population of the Mpfana Municipality is approximately 31 517 with a population decline of 14, 4% compared to the 2001 Census data.

TABLE 2: AGE BY GENDER

Age Group	Male	Female	Total Age Group
0 – 4	1490	1862	3352
5 – 9	1826	1812	3638
10 – 14	1952	1874	3826
15 – 19	1619	1517	3136
20 – 24	1876	1576	3451
25 – 29	1431	1297	2728
30 – 34	1467	1460	2927
35 – 39	766	1146	1912
40 – 44	824	908	1732
45 – 49	535	791	1326
50 – 54	476	592	1068
55 – 59	348	493	841
60 – 64	227	378	605
65+	351	623	974
Total	15 187	16 330	31 517

Data in the table above shows that a larger portion of the population falls between 0-34 years category which compels the municipality to initiate youth development programmes. Contrary to previous findings, which indicated that the majority of the population was dominated by males, the recent 2007 Community data indicates a female majority of 52% and a 48% of males respectively. The previous data indicated a male majority of 51.7% and females at 48.3%. The recent findings are similar to the national population trend which indicates that women constitute a higher percentage of the South African population.

DIAGRAM 1: COMPARATIVE AGE DISTRIBUTION PER WARD



- Age distribution in all wards favours children and young adult sectors of the population
- In wards 1,2 and 4 children constitute more than 40% of each ward total population
- Thirty seven percent (37%) of ward 3 total population falls within the same category
- The young adult (20-39 years) sector constitutes more than 20% of each ward total population with ward 3 having 30%.

TABLE 3: HIGHEST EDUCATION LEVELS ATTAINED BY OVER 20 YEAR OLDS

Persons	1996	2001	% Difference
No schooling	3 179	5 583	57 %
Some primary	2 699	4 566	59,11 %
Completed Primary	984	1 448	68 %
Secondary	3 314	5 373	61,7 %
Grade 12	1 594	3 095	49,33 %
Tertiary	552	1 074	59,28%
TOTAL	12 322	21 139	



1.2.3 EMPLOYMENT STATISTICS.

- In terms of Census 1996 the unemployment rate is estimated at 73% for the municipality as a whole and in terms of census 2001 it is estimated at approximately 70%. The 2007 community survey show that the employment level has declined to a low of 48%
- The high unemployment rate has a direct impact on the affordability of municipal services and therefore affects Municipality's cash flow situation negatively.
- The high unemployment rate also suggests that economic growth and job creation must be considered as one of the key strategic issues for the Municipality.

TABLE 4: EMPLOYMENT TRENDS FOR THOSE AGED 15 – 65 YEARS.

STATUS	PERSONS CENSUS 2001	PERSONS CS 2007	PERCENTAGE CS 2007
Employed	9 464	9564	48.37
Unemployed	7 508	3180	16.08
Not economically active	6 945	5993	30.31
Not applicable	-	1033	5.22
TOTAL	23 917	19771	100%

TABLE 5: SECTOR OF WORK FOR THE 15 – 65 YEARS.

INDUSTRY	NO.OF PERSONS CENSUS 2001	NO.OF PERSONS CS 2007	% PER SECTOR CS 2007
Agriculture/Forestry/Fishing	4 274	685	7.1
Mining/Quarrying	50	16	0.16
Community/Social	1 292	1092	11.41
Construction	351	486	5.08
Electricity/Water	34	15	0.15
Financial/Insurance/Real estate/Business	327	520	5.43
Manufacturing	597	990	10.3
Other	-	1176	12.29
Private households	621	-	-
Transport/Storage/Communication	287	235	2.45
Wholesale/Retail	1 190	1088	11.37
Undetermined	441	3261	34.09
TOTAL	9 464	9564	100%

There is a significant decline in the number of people employed in the agriculture sector of the economy. The table shows an increase in the number of employed in the manufacturing and undetermined sectors of the community.

DIAGRAM 2: EMPLOYMENT LEVELS IN THE WARDS OF THE MPOFANA MUNICIPALITY.

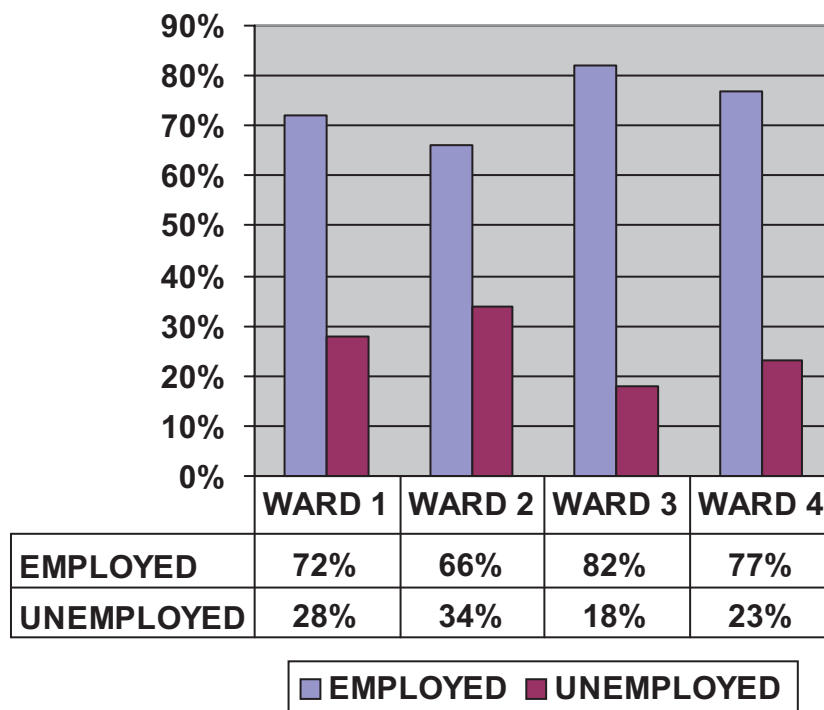


TABLE 6: URBAN AND RURAL HOUSEHOLDS (CENSUS 2001).

NO. OF URBAN HOUSEHOLDS	NO. OF RURAL HOUSEHOLDS	TOTAL NO. OF HOUEHOLDS
4036	5561	9597



TABLE 7: DWELLING TYPE .

HOUSEHOLDS	1996	2001
Formal	3 055	6 870
Informal	109	258
Traditional	1 250	2 383
Other	18	86
TOTAL	4 432	9 597

TABLE 8: SERVICE LEVELS FOR WATER CENSUS 2001(NON-CORE).

ACTUAL NUMBER OF HOSEHOLDS	HH WATER SERVICE LEVEL (%)	HH WATER SERVICE BACKLOG (%)
7290	75,96 %	24,04 %
WATER PROVISION	2001 CENSUS	CS 2207
In dwelling	29,6	44,4
Inside Yard	37,5	30,4
Access point outside the yard	8,9	7,7
Borehole	3,2	1,7
Spring	2,5	1,6
Dam / Pool	4,3	1,6
River /Stream	12,3	8,5
Water vendor	0,1	2,0
Rainwater Tank	0,5	1,9
Other	1,1	0,2
TOTAL	100%	100%

TABLE 9: TOILET FACILITIES.

TOILET FACILITIES	% OF HOUSEHOLDS (CENSUS 2001)	% OF HOUSEHOLDS (CS 2007)
Flush toilet (connected to sewerage system)	41,6 %	58.5
Flush toilet (with septic tank)	8,50 %	2.4
Chemical toilet	2,22 %	2.9
Pit latrine with ventilation (VIP)	4,17 %	4.0
Pit Latrine without ventilation	18,0 %	12.1
Bucket latrine	5,6 %	0.2
None	20 %	9.0
TOTAL	100 %	100%

There is a significant increase in the percentage of households connected to the sewerage system and use flush toilet. The number of households who had no toilet facilities at all in 2001 has been reduced by more than 10%

TABLE 10: REFUSE REMOVAL.

REFUSE REMOVAL	% OF HOUSEHOLDS CENSUS 2001	% OF HOUSEHOLDS CS 2007
Removed by Municipality at least once a week	40,8 %	51,2
Removed by Municipality less often	0,30 %	2,4
Communal Refuse dump	2,76 %	1,8
Own Refuse dump	40,8 %	37,8
No rubbish disposal	15,20 %	6,0
Other	0	0,9
TOTAL	100 %	100%

The table above, shows in increase on the percentage of households who receive refuse removal service with a corresponding decline on the use of other methods of waste removal or disposal

TABLE 11: ENERGY / FUEL FOR LIGHTING.

ENERGY / FUEL	HOUSEHOLD PERCENTAGE CENSUS 2001	HOUSEHOLD PERCENTAGE CS 2007
Electricity	53.4%	71,9
Gas	0.3%	-
Paraffin	0.7%	1,4
Candles	44.8%	25,8
Solar	0.35%	0,2
Other	0.46%	0,7
TOTAL	100 %	100%

The community survey of 2007 show that there has been a big increase on the number of households who use electricity for lighting. the number of households who were using candles for lighting in 2001 has declined by more than 20%

TABLE 12: ENERGY / FUEL FOR HEATING).

ENERGY / FUEL	PERCENTAGE HOUSEHOLDS CENSUS 2001	PERCENTAGE HOUSEHOLDS CS 2007
Electricity	32.6%	48,7
Gas	1.5%	1,6
Paraffin	5.4%	3,0
Wood	56.5%	43,3
Coal	1.4%	2,1
Animal dung	0.3%	-
Solar	0.1%	-
Other	2.2%	1,2
TOTAL	100 %	100%

More and more households are changing to electricity as a method they use for heating. There is an increase of more 16% of households who use electricity for heating and a decline of more than 13% on those who were previously using wood.

TABLE 13: MEANS OF COMMUNICATIONS; CENSUS 2001 (SSA).

COMMUNICATION MEANS	NO. OF HOUSEHOLDS	PERCENTAGE
Telephone in dwelling and cell-phone	943	9.8%
Telephone in dwelling only	540	5.6%
Cell-phone only	1261	13.2%
At a neighbour nearby	809	8.4%
At a public telephone nearby	2754	28.8%
At another location nearby	224	2.3%
At another location; not nearby	529	5.5%
No access to a telephone	2533	26.4%
TOTAL	9597	100 %

The statistics show that Cellular telephones are becoming the most popular means of communication with 13.2% of the total number of households utilizing cell phones as a main source of communicating. This number is expected to grow drastically over time. At an international level South Africa is one of the leading countries with the highest cellular telephone usage. Planning should consider the improvement of network servicing especially in remote areas where these are aggressively becoming popular.

The statistics also show that just over ¼ of the population is still depending on public telephones whilst another ¼ does not have any form of communication. Both these can be expected to come down as cellular telephones take over.

1.3 Executive Summary.



Mr. M. A. Madlala – Municipal Manager

1.3.1 Legislative Mandates - Formal Mandates.

1.3.1.1 Constitutional Mandates.

The municipality must strive within its administrative and financial capacity, to meet the objects of local government which are to:

- Provision of basic services to communities in a sustainable manner in terms of section 152 of the RSA constitution,
- Promotion of social and economic development,
- Promotion of democratic and accountable local government,
- promotion of a safe and a healthy environment,
- Ensure the involvement of communities and community organizations in the matters of Local government.



The Constitution also requires municipalities to structure and manage their administrations, budgeting and planning processes in such a manner as to:

- Prioritise the basic needs of the communities,
- Promote social and economic development, and
- Participate in national and provincial development programmes.

1.3.1.2 Other Legislations/Policies.

- Provincial Growth Development Strategy;
- White Paper on Local Government;
- Millennium Development Goals;
- MTBPS- Medium Term Budget Policy Statements= (Division Of Revenue Act)
- Municipal Systems Act No. 32 of 2000;
- Municipal Structures Act No. 117 of 1998;
- Municipal Financial Management Act No. 56 of 2003;
- Demarcation Act
- Reconstruction and Development Programme fo 1994;
- Municipal Property Rates Act No. 06 of 2004;
- Macro-Economic Policy [Growth Employment And Redistribution];
- Accelerated and Shared Growth Initiative – South Africa for 2004
- Expanded Public Work Programme of 2003;
- National Spatial Development Perspective;
- Provincial Spatial Economic Development Strategy; and
- Labour Relations Act

1.3.1.3 MISSION STATEMENT.

Mpofana Municipality is a pro-active, democratic and accountable municipality committed to social and economic development, provision of efficient, affordable, sustainable and customer-oriented services to its community whilst striving to sustain financial viability.

1.3.1.4 VISION.

By Year 2020, Mpofana will be an economically vibrant and developmental municipality, able to generate employment for all its economically active residents, be affordable place to inhabit, and with its environmental endowment, be strong competitor for tourist trade and investment.

1.3.1.5 MPOFANA'S PRINCIPLES AND VALUES.

The principles and values which Mpofoana Municipality ascribes to are as follows:

- Maintain customer focus and strive for quality, effectiveness, efficiency and sustainability in the delivery of all our services;
- Develop a high performance and excellence culture based on innovation and development;
- Undertake the responsibility with stewardship and play a leadership role on issues of importance to the municipality,
- Actively seek and forge mutually beneficial partnerships with all its stakeholders,
- Communicate effectively with communities and other stakeholders in a manner that promotes their participation,
- Act with respect, honesty, trust and empathy,
- Uphold diligence, professionalism and risk tolerance in our quest for innovation and improvement in service delivery,
- Promote ongoing development of management and adaptable skills to cope with changes in the environmental and customer expectations,
- Create an environment that is conducive to self-initiative and fostering a culture of individual identity with the municipality as an organization,
- Commitment to equity and social redress, and
- Be inclusive, transparent, accountable and act with integrity

1.3.1.6 MPOFANA'S GOALS AND OBJECTIVES AND PRIORITIES.

The overall goals and objectives for Mpofoana Municipality which are drawn from the formal mandates are as follows:

- To improve financial management to ensure sustainable financial viability,
- To instill, advance and sustain a good organizational culture and service excellence,
- To create and ensure a conducive environment for Economic Growth and Development,
- To leverage and enhance municipal capacity to promote democracy and accountability,
- To ensure continuous improvement in the level and quality of service delivery, and
- To promote coordinated planning, implementation and continued evaluation.

1.3.1.7 STATEMENT ON FINANCIAL HEALTH OF THE MPOFANA MUNICIPALITY.

The Municipality had set a target of reducing the existing bank overdraft by 50% in 2008/2009 financial year and eventually to zero in the years ahead. The Municipality has been experiencing a sharp increase of outstanding due to non payment for services and rates by consumers .A portion of revenue raised could be attributed to the majority of people who would fall under indigents under normal circumstances. The municipality could not subsidise these consumers leading to escalation of outstanding debt and a very precarious cash flow situation. The implementation of the Property Rates Act provided for the exclusion of indigents and thereby improving the quality of debtors raise. The Municipality has also improved its indigent programme to ensure that communities who cannot afford to pay for services are not included as debtors raised monthly. This has been complemented by providing free domestic refuse removal to all households including non indigent and increasing property rates exemptions to accommodate indigent households in the financial year under review.

2. Performance Highlights.

2.2.1 Service Delivery Backlogs

Service	30 June 2008			30 June 2009		
	Required	Budgeted	Actual	Required	Budgeted	Actual
Indigent Aid						
• Backlogs to be eliminated (No. of households not receiving minimum standard of service.	14 453	1000	722	14 453	9000	8024
• Backlogs to be eliminated (% HH identified as backlogs /total households in the municipality.	60,43 %	7 %	5.2 %	85,43%	77%	80%
• Spending on new infrastructure to eliminate backlogs(Rand 000)	R9,9 Mln	R4, 1m	R3,1m	R9, 9m	R8m	R6m
• Spending on renewal of existing infrastructure to eliminate backlogs.	R5, 00mil	R988,515	R1,1mil	R0, 0 m	R0,0	R0, 0
• Total spending to eliminate backlogs	R9,9m	R4,1ml	R3.1ml	R9, 9 m	R8m	R6m
• Spending on maintenance to ensure no new backlogs are created	R5, 1mln	R988,516	R1,1mln	R0	R0mln	R0mln



Service	30 June 2008			30 June 2009		
	Required	Budgeted	Actual	Required	Budgeted	Actual
Employment : Job creation						
• Backlogs to be eliminated (No. of households not receiving minimum standard of service.	14 453	1200	500	15000	2000	700
• Backlogs to be eliminated (% HH identified as backlogs /total households in the municipality.	60,43 %	8,3 %	3,46 %	60,43 %	13 %	4.67 %
• Spending on new infrastructure to eliminate backlogs(Rand 000)	R0, 00	R0, 00	R0, 00	R0, 00	R0, 00	R0, 00
• Spending on renewal of existing infrastructure to eliminate backlogs.	R0, 00	R0, 00	R0, 00	R0, 00	R0, 00	R0, 00
• Total spending to eliminate backlogs	N/A	N/A	N/A	N/A	N/A	N/A
• Spending on maintenance to ensure no new backlogs are created	N/A	N/A	N/A	N/A	N/A	N/A



Service	30 June 2008			30 June 2009		
	Required	Budgeted	Actual	Required	Budgeted	Actual
Access to Education						
• Backlogs to be eliminated (No. of people with no access to education.	10 149	1000	0.00	10 149	1000	0.00
• Backlogs to be eliminated (% HH identified as backlogs /total households in the municipality.	48 %	9.8 %	0.00%	48 %	9.8 %	0.00%
• Spending on new infrastructure to eliminate backlogs(Rand 000)	R0, 00	R0, 00	R0, 00	R0, 00	R0, 00	R0, 00
• Spending on renewal of existing infrastructure to eliminate backlogs.	R0, 00	R0, 00	R0, 00	R0, 00	R0, 00	R0, 00
• Total spending to eliminate backlogs	R0, 00	R0, 00	R0, 00	R0, 00	R0, 00	R0, 00
• Spending on maintenance to ensure no new backlogs are created	N/A	N/A	N/A	N/A	N/A	N/A



Services	30 June 2008			30 June 2009		
	Required	Budgeted	Actual	Required	Budgeted	Actual
Community and Social facilities: Clinics						
• Backlogs to be eliminated (No. of households not receiving minimum standard of service.	3.00	2.00	0, 00	3.00	2.00	0, 00
• Backlogs to be eliminated (% HH identified as backlogs /total households in the municipality.	50%	67 %	0, 00%	50%	67 %	0, 00%
• Spending on new infrastructure to eliminate backlogs(Rand 000)	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
• Spending on renewal of existing infrastructure to eliminate backlogs.	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
• Total spending to eliminate backlogs	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
• Spending on maintenance to ensure no new backlogs are created	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00





Woza-Woza Tourism centre of Mpofana - developed by the Municipality. The centre has a tourism information office run by the Municipality and all vacant rooms have been occupied recently.



Service	30 June 2008			30 June 2009		
	Required	Budgeted	Actual	Required	Budgeted	Actual
Refuse Removal						
• Backlogs to be eliminated (No. of households not receiving minimum standard of service.	5645	1129	0.00	5645	1129	0.00
• Backlogs to be eliminated (% HH identified as backlogs /total households in the municipality.	59%	20%	0.00%	59%	20%	0.00%
• Spending on new infrastructure to eliminate backlogs(Rand)	R691, 115	R0, 00	R0,00	R1,2ml	R0, 00	R0,00
• Spending on renewal of existing infrastructure to eliminate backlogs.	R0, 00	R0,00	R0,00	R0, 00	R0,00	R0,00
• Total spending to eliminate backlogs.	R691, 115	R0, 00	R0,00	R1.2ml	R0, 00	R0,00
• Spending on maintenance to ensure no new backlogs are created	R0, 00	R164, 799	R0, 00	R4ml	R3.4ml	R922 000



Service	30 June 2008			30 June 2009		
	Required	Budgeted	Actual	Required	Budgeted	Actual
Electricity Backlog						
• Backlogs to be eliminated (No. of households not receiving minimum standard of service.	4300	4300	0.00	4300	4300	0.00
• Backlogs to be eliminated (% HH identified as backlogs /total households in the municipality.	44.8%	44.8%	0.00%	44.8%	44.8%	0.00%
• Spending on new infrastructure to eliminate backlogs(Rand)	0.00	0.00	0.00	0.00	0.00	0.00
• Spending on renewal of existing infrastructure to eliminate backlogs.	R17.0Mln	R7Mln	R3.50Mln	R7.0Mln	R7.0Mln	R3Mln
• Total spending to eliminate backlogs.	R17.0 Mln	R7 Mln	R3.50 Mln	R7.0 Mln	R7.0 Mln	R3.5 Mln
• Spending on maintenance to ensure no new backlogs are created	R 600,000	R 600,000	R 435,000	R3ml	R3ml	R2, 2ml



Service	30 June 2008			30 June 2009		
	Required	Budgeted	Actual	Required	Budgeted	Actual
Roads Backlog						
• Backlogs to be eliminated (No. of households not receiving minimum standard of service.	4432	4432	0.00	4432	16	8
• Backlogs to be eliminated (% HH identified as backlogs /total households in the municipality.	46%	46%	0.00%	46%	.36%	.18%
• Spending on new infrastructure to eliminate backlogs(Rand)	R40.0Mln	R16.0Mln	R0.00 Mln	R40.0Mln	R5.9Mln	R5.5 Mln
• Spending on renewal of existing infrastructure to eliminate backlogs.	R18.0 Mln	R18.0 Mln	R0. 00Mln	R18.0 Mln	R8.5 Mln	R8.6Mln
• Total spending to eliminate backlogs.	R40.0Mln	R16.0Mln	R0.00 Mln	R40.0Mln	R13.0Mln	R14 Mln
• Spending on maintenance to ensure no new backlogs are created	R2.2 Mln	R2.2 Mln	R2.2 Mln	R2.2 Mln	R2.3 Mln	R731000



Service	30 June 2008			30 June 2009		
	Required	Budgeted	Actual	Required	Budgeted	Actual
Housing Backlog						
• Backlogs to be eliminated (No. of households not receiving minimum standard of service.	1800	1800	600	2500	2500	1650
• Backlogs to be eliminated (% HH identified as backlogs /total households in the municipality.	28%	28%	33%	19%	19%	66%
• Spending on new infrastructure to eliminate backlogs(Rand)	R65m	R39m	R4m	R95m	R0m	R 0m
• Spending on renewal of existing infrastructure to eliminate backlogs.	R0. 00	R0.00	R0.00	R0.00	R0.00	R0.00
• Total spending to eliminate backlogs	R90.0m	R10.3m	R5.6m	R95m	R 0m	R 0m
• Spending on maintenance to ensure no new backlogs are created	R0.00	R0.00	R0.00	R373000	R373000	R23000





2.2.2 Revenue Collection Levels.

Month	Total Bills	Total Receipts	% Recovery Rates 2008/09	% Recovery Rates 2007/08
July 2008	R2, 882 944	R 1 136 850	39%	26%
August 2008	R3 591 347	R 798 340	22%	50%
September 2008	R4 450 6431	R 1 715 321	39%	23%
October 2008	R3 694 541	R1, 591 173	43%	70%
November 2008	R3 103 972	R 1 258 858	41%	32%
December 2008	R3 955 053	R 2 123 311	54%	44%
January 2009	R3, 635 232	R 728 478	20%	37%
February 2009	R3 780 997	R 805 590	21%	72%
March 2009	R3 849 182	R 485 924	13%	79%
April 2009	R4 063 186	R1 651 649	41%	54%
May 2009	R3 822 554	R2 562 468	67%	50%
June 2009	R3 028 834	R1, 666 586	55%	48%

2.2.2.1 Debtor's Services Age Analysis.

Service	30 Days	60 Days	90 Days +	Debits	Credits	Net
General Receipts	0.00	0.00	0.00	0.00	1 244 481	-1 244 481
Basic Electricity	922.87	648 48	5 80	7 554	0.00	7 554
Electricity	1 294 013	1 046 986	7 344 370	11 055 136	0.00	11 055 136
Refuse	24 697	12 5631	6 866 235	6 935 516	0.00	6 935 516
Rates	720 909	657 308	20 935 676	23 138 988	0.00	23 138 988
	2,040 543	1 717 200	35 151 363	41 137 195	1 244 481	39 892 713

3. Human Resources and Other Organisational Management.

3.1 Political Leadership.

Mpofana Municipality is a category B Municipality with plenary executive combined with a ward participatory system, as defined in the Municipal Structures Act No. 117 of 1998, Sections 8 and 9. Therefore in terms of the same Act this Municipality may not establish an executive committee and executive Mayor.

The political leadership of this Municipality consists of seven (7) Councillors of which four (4) are Ward Councillors and the remaining three (3) are Councillors elected as Proportional Representatives of their political parties.

Mpofana Municipality's political leadership is as follows:

- Mayor: Councillor: M S. Mthethwa P R Councillor



- Deputy Mayor: Councillor: N. J. Mpangase Ward 2



- Councillor: T. Mchunu Ward 4



- Councillor: W. Jackson

Ward 1



- Councillor: S. E Mkhize

Ward 3



- Councillor: T. M. Majola

P-R Councillor



- Councillor: T. Pratsch

P-R Councillor



3.2 Administration Team - Management.

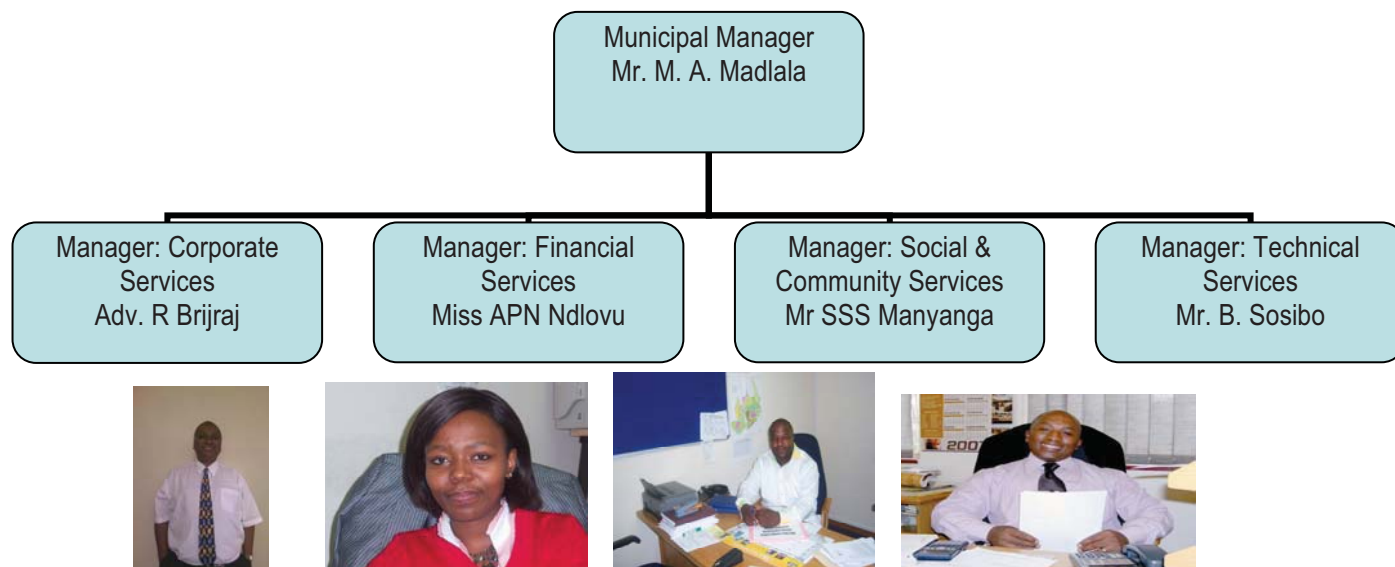
In terms of sec 51 of the Municipal Systems Act No. 32 of 2000, a municipality must establish an administration that will be responsive to the needs of the community and be in a position to assist the Council to achieve the objectives enshrined in the Constitution of the Republic of South Africa. To the end, Mpofana Municipality has an administration comprising of four (4) Heads of Departments who are appointed in terms of the Municipal Systems Act No. 32 of 2000, representing all four departments within the Municipality and all the Heads of Department report directly to the Municipal Manager who is also appointed in terms of the Municipal Systems Act No. 32 of 2000. The Heads of Departments lead sections which are headed by the section supervisors who report directly to the Heads of Departments.

The Municipality consists of four (4) main business units (Departments) which are as follows:

- Finance Department;
- Corporate Services;
- Technical Service; and
- Social, Economic and Planning Services.

The organisational structure is aligned to the mandate which informs the strategic objectives of the municipality and derived from the constitutional objects of local government, sec 152 of the Constitution of the Republic of South Africa;

The Management Structure is constituted as follows:



The Municipality has four (4) departments responsible for carrying out the objectives identified above. The departments support staff that is responsible for carrying out operational plans. Listed below are the functions, and employment equity statistics of each of the departments within the organisational structure.

3.2.1Municipal Manager



Mr. M. A, Madlala – Municipal Manager

The Municipal Manager is the Accounting Officer of the Municipality and therefore is responsible for all the administration matters of the Municipality and is accountable to Council in respect of these matters. Therefore he oversees the implementation of legislation, policies, Council decisions and such other matters as may be prescribed by legislation.

The following are some of the special functions which are performed within the Municipal Managers Office, these functions can be delegated to units/ departments designated by the Municipal Manager:

- The formation and development of an economical, effective, efficient and accountable administration,
- The management of the municipality's administration in accordance with the legislation applicable to the municipality,
- The implementation of the municipality's integrated development plan,
- The management of the provision of services to the local community in a sustainable and equitable manner,



-
- Manage the communications between the municipality administration and its political structures,
 - Carry out the decisions of the structures and functions of the municipality,
 - To administer and implement the municipal By-laws and other legislation,
 - Implement national and provincial legislation applicable to the municipality, and
 - Internal Audit and Risk Management.

3.2.2 Department 1: Financial Services.



Miss. A. P. N Ndlovu – Manager Financial Services.

3.2.2.1 Objective: To improve financial management in order to ensure sustainable financial viability.

The finance Department has four (4) sections which are as follows:

Income Section	Expenditure Section
<ul style="list-style-type: none">• Income Receipting and Debtors• Rates, and Services Billings• Selling of prepaid Electricity.• Meter Readers	<ul style="list-style-type: none">• Supply Chain Management and procurements• Payment of Creditors• Payroll Management• Expenditure Monitoring (Capital and Operational)



Budget & Financial Management	Credit Control & Debt Collection
<ul style="list-style-type: none"> • Budget Compilation and Budgetary Control • Preparation and Distribution of Management Accounts • Investments Management and Control • Annual Financial Statements • Project co-ordination and special Funds Management 	<ul style="list-style-type: none"> • Disconnection and reconnection of services, • Arrangement of for payments of debts, and • Letter of demand • Debtors handed over to attorneys.

3.2.2.2 Employment Equity Statistics – Finance Department.

Occupational Category	Males				Females				Totals
	A	C	I	W	A	C	I	W	
Managers	0	0	0	0	1	0	0	0	1
Vacant positions	4	0	0	0	0	0	0	0	4
Skilled	0	0	0	0	1	0	0	1	2
Semi-skilled Clerks	1	0	2	0	7	1	0	0	11
Unskilled	0	0	0	0	0	0	0	0	0
Grand Total	5	0	2	0	9	1	0	1	18

3.2.3 Department 2: Corporate Services



Adv R Brijraj – Manager: Corporate Services

3.2.3.1 Objective: To instill, advance and sustain a good organizational culture and service excellence, and to leverage and enhance municipal capacity to promote democracy and accountability.

Corporate Services Department has four (4) units/sections which are as follows:

Human Resources Section	Administration Section
Information Technology	Legal Services



<ul style="list-style-type: none"> • Provide technical support support to user departments in respect of Information Technology and related computer systems. 	<ul style="list-style-type: none"> • Manage an overall municipal legal service (litigations, claims for and against the municipality) • Advice the Municipality on all matters that have legal implications
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3.2.3.2 Employment Equity Statistics – Corporate Services Department.

Occupational Category	Males				Females				Totals
	A	C	I	W	A	C	I	W	
Managers	0	0	1	0	0	0	0	0	1
Vacant positions	3	0	0	0	0	0	0	0	3
Skilled	2	0	1	1	3	0	0	1	8
Semi-skilled Clerks	6	0	2	0	4	1	1	0	14
Unskilled	0	0	0	0	0	0	0	0	0
Grand Total	12	0	3	1	7	1	1	1	26

3.2.4 Department 3: Social, Community, Planning & Economic Development Services



Mr SSS Manyanga – Manager: Social, Community, Planning & Economic Development Services.

3.2.4.1 Objective: Promote social and community development;
To create and ensure a conducive environment for Economic Growth and Development; and Managing town planning scheme and land development issues.

Social, Community, Planning & Economic Development Services Department has four (4) units/sections which are as follows:

Social & Community Section	Social & Community Section
<ul style="list-style-type: none"> Libraries Management Special Projects (Schools and Hospitals) Health and Welfare Special Welfare 	<ul style="list-style-type: none"> Community Development Sport and Recreation Conservation Tourism & Horticulture Urbanisation

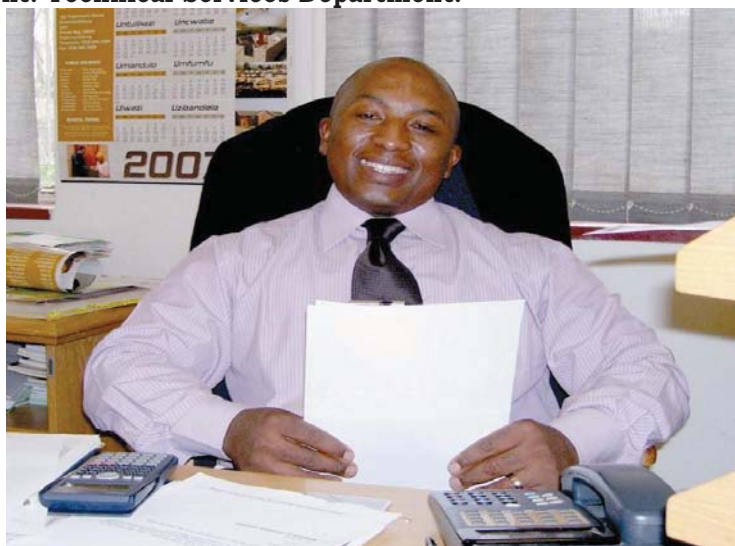


<ul style="list-style-type: none"> • Primary Health Care • HIV and AIDS Strategy • Environmental Health 	<ul style="list-style-type: none"> • Heritage and Art • Gender Issues • Youth Issues
Planning Section	Local Economic Development
<ul style="list-style-type: none"> • Future expansion • Integrated Development Planning • Development and strategy • Town Planning Scheme • Land Use Management System 	<ul style="list-style-type: none"> • Promotion of SMME, • Manage Local Economic Development • Attracting investors, and • Managing trading regulations.

3.2.4.2 Employment Equity Statistics – Social, Community, Planning & Economic Development Services Department.

Occupational Category	Males				Females				Totals
	A	C	I	W	A	C	I	W	
Managers	1	0	0	0	0	0	0	0	1
Vacant positions	5	0	0	0	0	0	0	0	5
Skilled	4	0	0	0	4	0	0	3	11
Semi-skilled Clerks	3	0	0	0	2	0	0	0	5
Unskilled	0	0	0	0	0	0	0	0	0
Grand Total	13	0	0	0	6	0	0	3	22

3.2.5 Department: Technical Services Department.



Mr. B. I. Sosibo – Manager Technical Services.

3.2.5.1 Objective: Provision of basic services and infrastructure development to ensure continuous improvement in the level and quality of service delivery

The Technical Services Department has five (5) sections which are as follows

Electricity Distribution	
<ul style="list-style-type: none"> • Electricity • Electricity Operations and Management • Technical Services • Primary Systems Planning and Distribution • Project Management and Electrical Engineers 	



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Refuse Removal	Parks & Garden
<ul style="list-style-type: none"> Domestic Waste Management; Garden Refuse 	<ul style="list-style-type: none"> Promotion of SMME, Manage Local Economic Development Attracting investors, and Managing trading regulations.
Roads & Stormwater	Housing Development
<ul style="list-style-type: none"> Infrastructure Planning and Survey Storm Water Design and Management Roads Design and Management Planning Roads and Transportation Water Drainage Construction and Public Works Re-construction and Maintenance Building and Assets maintenance 	<ul style="list-style-type: none"> Housing Technical Services Quantity Surveyors Land Surveyors Urban Development Services Building Survey Infrastructure Construction and Re-construction Housing Construction and Maintenance

3.2.5.2 Employment Equity Statistics – Technical Services Department.

Occupational Category	Males				Females				Totals
	A	C	I	W	A	C	I	W	
Managers	1	0	0	0	0	0	0	0	1
Vacant positions	33	0	0	0	0	0	0	0	33
Skilled	7	0	1	0	0	0	0	0	8
Technical Support/	1	0	0	1	0	0	0	0	2

Consultants									
Semi-skilled Clerks	0	0	2	0	0	0	0	0	2
Unskilled	20	0	0	0	4	0	0	0	24
Totals	62	0	3	1	0	0	0	0	70

4. Audited Statements and Related Information.

4.1 Auditor-General's Report.

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MPOFANA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Mpofana Municipality, which comprise the balance sheet as at 30 June 2009, the income statement and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

Provisions

7. I was unable to obtain sufficient appropriate audit evidence through alternative means to satisfy myself as to the completeness and accuracy of the leave provision totalling R547 743 disclosed in note 12 to the financial statements. This was as a result of weak systems of control over reconciliations, monitoring and independent reviews by delegated officials.

Qualified opinion

8. In my opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements of the Mpofana Municipality have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA.

Emphasis of matters

I draw attention to the following matters on which I do not express a qualified opinion:

Basis of accounting

9. The municipality's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.

Restatement of corresponding figures



10. As disclosed in note xx to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of an error discovered during 30 June 2009 in the financial statements of the Mpofana Municipality at, and for the year ended, 30 June 2008.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Material inconsistencies in other information included in the annual report

11. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

Unaudited supplementary schedules

12. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

Municipal Finance Management Act

13. An implementation plan, detailing progress towards full compliance with section 122(3) of the MFMA, was not submitted to National Treasury and the provincial treasury before 31 March 2008, as stipulated in *Government Gazette No. 30013 of 29 June 2007*.

Governance framework

14. The governance principles that impact the auditor's opinion on the financial statements relate to the responsibilities and practices of the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

15. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. The number listed per component can be followed with the legend below the table. In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
7	Provisions	2		6		1,3



16. The internal control deficiencies as reflected in the table above are indicative of the fact that delegated officials are not performing assigned tasks. Moreover, monitoring of the human resource processes for leave is very weak.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

17. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
	Clear trail of supporting documentation that is easily available and provided in a timely manner		



No.	Matter	Y	N
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		<input type="checkbox"/>
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		<input type="checkbox"/>
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		<input type="checkbox"/>
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines, as set out in section 126 of the MFMA.	<input type="checkbox"/>	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.		<input type="checkbox"/>
Development of and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 	<input type="checkbox"/>	
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 		<input type="checkbox"/>
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 		<input type="checkbox"/>
7.	Internal audit		<input type="checkbox"/>
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 		<input type="checkbox"/>
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		<input type="checkbox"/>
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		<input type="checkbox"/>
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		<input type="checkbox"/>
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		<input type="checkbox"/>
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	<input type="checkbox"/>	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used, as set out in section 62(1)(c)(i) of the MFMA.		<input type="checkbox"/>
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	<input type="checkbox"/>	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		<input type="checkbox"/>
14.	SCOPA/Oversight resolutions have been substantially implemented.	<input type="checkbox"/>	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		<input type="checkbox"/>
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		<input type="checkbox"/>
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Mpofana Municipality against its mandate, predetermined objectives, outputs, indicators and targets, as set out in section 68 of the MFMA.	<input type="checkbox"/>	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	<input type="checkbox"/>	

18. The governance structures within the municipality did not operate effectively during the year. This was evident due to the fact that the financial statements were not of the desired quality. Moreover, the non-availability of key officials and delayed responses are cause for concern.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

19. I have reviewed the performance information as set out on pages xx to xx.

The accounting officer's responsibility for the performance information

20. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

21. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
22. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
23. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

Existence and functioning of a performance audit committee

24. The Mpofana Municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee, as required by regulation 14(2) of the Municipal Planning and Performance Management Regulations, 2001.

Internal auditing of performance measurements

25. The Mpofana Municipality did not develop and implement systems, mechanisms and processes for auditing the results of performance measurement as part of its internal audit processes, as required by section 45 of the MSA.

APPRECIATION



-
26. The assistance rendered by the staff of the Mpfana Municipality during the audit is sincerely appreciated.

Pietermaritzburg

30 November 2009

4.2 Annual Financial Statements.



GENERAL INFORMATION

MEMBERS OF THE TOWN COUNCIL AND EXECUTIVE COMMITTEE:

MAYOR
DEPUTY MAYOR
COUNCILLORS

CLLR S. M. MTHETHWA
CLLR N. J. MPANGASE
CLLR T. H. PRATSCH
CLLR S. E. MKHIZE
CLLR N. D. MCHUNU
CLLR JACKSON
CLLR MAJOLA

GRADING OF LOCAL AUTHORITY
GRADE 2

AUDITORS
AUDITOR-GENERAL: KWAZULU NATAL

BANKERS
FIRST NATIONAL BANK OF SA LTD
ABSA BANK

REGISTERED OFFICE
CIVIC BUILDINGS
CLAUGHTON TERRACE
MOOI RIVER

PO BOX 47
MOOI RIVER
3300

TELEPHONE (033) 263 1221
FAX NO (033) 263 1127

MUNICIPAL MANAGER
MR. M. A. MADLALA (Appointed 1 June 2002)

CHIEF FINANCIAL OFFICER
MS. A. NDLOVU (Appointed 01 April 2009)

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 1 to 29 were approved by the Municipal Manager

On and presented to and approved by the Council

On

MA MADLALA
MUNICIPAL MANAGER

FOREWORD

The year ended 30 June 2009 had some significant points to reflect on; despite the Global Economic meltdown which had a negative impact in the overall performance of the Municipality.

INFRASTRUCTURE DEVELOPMENT

Mpofana Municipality has pioneered the rehabilitation of the roads infrastructure in the **Central Business District (CBD)** and the surrounding areas of the Municipality namely Gwala Park. This was done through the Municipal Infrastructure Grant fund from the Department of Cooperative Governance and Traditional Affairs formerly known as Department of Provincial & Local Government as well as uMgungundlovu District Municipality.

Phase 1 of the **CBD** project has been completed at a cost of approximately R 8,2 million while the Gwala Park Roads project is 24% complete at the end of the 2008/2009.

The Municipality also upgraded its Electricity Substation at a cost of R 5,4 million during the year under review. This project was funded through the Critical Infrastructure Programme Grant from Department of Minerals and Energy. These improvements in infrastructure contribute positively to the strategic vision of the Municipality.

The municipality has capital commitment of R 7,289 million; receivable as the Municipal Infrastructure Grant 2009/2010 allocation. This allocation will be utilised for the completion of the Gwala Park Project. The Substation Upgrade Project has R 3 million committed which will bring the project to completion in the 2009/2010 financial year.

FINANCIAL PERFORMANCE

The financial performance of the municipality is continually being refined; this is reflected in the year under review reporting a surplus of approximately R 12 million. The implementation of the Municipal Property Rates Act 6 of 2004 led to two disputes, which have now been resolved, with the Rates Payers and Farmers Association. These disputes negatively affected the Municipality's cash flow and limited financial resources for service delivery.

In terms of the Local Authorities Ordinance Section 103 (B) as amended, the borough should allocate a minimum of 1% to a maximum 3% of surplus accumulated by the borough to the Consolidated Development Fund. This however ignores the fact that the borough has non cash items and therefore it is not possible to raise cash, equivalent to the reserve raised in terms of the Ordinance. It is for this reason that the Municipalities Funds and Reserves may not be sufficiently cash backed.



CONCLUSION

Mpofana is committed to a responsive approach to community and other stake holder's needs in a responsible, accountable, cost effective and efficient manner.

The Honourable Mayor
Mr. S. M. Mthethwa

Date Signed

TOWN TREASURER'S REPORT

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in Appendices D and E.

The overall operating results for the year ended 30 June 2009 are as follows:

INCOME	ACTUAL 2008 RANDS	ACTUAL 2009 RANDS	VARIANCE 2008/2009	BUDGET 2009 RANDS	VARIANCE ACTUAL / BUDGET
Opening Surplus / (Deficit)	-1,650,769	4,346,372	363%	40,965	105%
Operating Income for the Year	49,897,150	56,945,539	14%	54,817,102	4%
	48,246,381	61,291,911	27%		
EXPENDITURE					
Operating Expenditure for the year	33,286,046	44,348,848	33%	54,776,137	-19%
Sundry Transfers	-	-	0%	-	
Retained Surplus / (Deficit)	-	-	0%	-	
	33,286,046	44,348,848	33%		

2. RATES AND GENERAL SERVICES

SUMMARY	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual / Budget %
Income	31,768,560	38,670,767	22%	31,071,196	24%
Expenditure	20,521,537	25,416,489	24%	6,110,189	316%
Closing Deficit/Surplus	11,247,023	13,254,278	18%	24,961,007	
Surplus /(Deficit) as % of total income	35.40	34.27		(7.58)	

Incorporated under the heading 'Rates and General Services' are: Community Services, Subsidised Services and Economic Services. (See Appendix E).

Increase in income and expenditure for the year results from increase in government and provincial grants and subsidies which is evidenced in Appendix D and E. The expenditure on this service has however decreased as efforts have been made during the year to reduce expenditure in light of the cash flows.

3. TRADING SERVICES

3.1. WATER SERVICE

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Actual / Budget %
Income	-	-	0%	-	0%
Expenditure	-	-	0%	-	0%
Closing Surplus	-	-	0%	-	0%
Surplus / (Deficit) as % of total income	0%	0%			

Water and Sanitation services are now the function of uMgungundlovu District Municipality. The District has been in a process of taking over this function from the beginning of 2006/2007 financial year. There was an agency agreement between Mpofana and uMgungundlovu for billing and receipting for Water and Sanitation, the last agreement was signed for 2008/2009 and expired at the end of the financial year when the District took over the function fully. Mpofana was re-imbursed for costs incurred in respect of water and sanitation. UMgungundlovu took over the running of the Water and Sanitation and any receipts in respect of this function are now payable to uMgungundlovu District at own premises in established in Mooi-River. Loans relating to Water and Sanitation which taken by Mpofana Municipality when it was still responsible for the function are still repaid by Mpofana, and claimed from uMgungundlovu District Municipality.

3.2. ELECTRICITY SERVICE

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual / Budget %
Income	12,748,555	17,863,326	40%	21,845,850	18%
Expenditure	12,627,776	18,408,903	46%	15,625,336	-18%
Closing Surplus	120,779	(545,577)	-552%	6,220,514	109%
Surplus / (Deficit) as % of total income	0.95	(3.05)		28.47	

The variance on the income is as a result of tampering of electricity. The municipality is in the process of implementing control measures for illegal connections and tampering of the electricity supply.

3.3. HOUSING SERVICE

SUMMARY	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual / Budget %
Income	301,281	411,447	37%	763,969	54%
Expenditure	136,734	273,693	100%	1,436,482	19%
Closing Surplus	164,547	137,754		(672,513)	
Surplus / (Deficit) as % of total income	55%	33%		(88.03)	

The variance in expenditure is as a result of maintenance of properties that were effected during the year.

4. EXPENDITURE AND FINANCING

Description	2008 ACTUAL R	2009 BUDGET R	2009 ACTUAL R
Land & Buildings & Admin	14,531	250,000	41,399
Council & Town Hall	2,517	-	1,316
Electricity - reticulation	19,758	2,000,000	5,395,441
Public Health	9,921	-	-
Public Health Convenience & Public Works	41,451	200,000	-
Testing Ground	13,453	-	49,833
Finance	49,907	-	11,753
Roads	5,087,390	11,756,000	12,487,981
Refuse Removal	-	1,200,000	-
Cemetery	-	-	13,800
Town Estates	-	-	2,713
Local Economic Development	-	-	53,693
Parks & Gardens	-	1,970,000	54,000
Civil Services	-	-	20,291
Housing	8,835	-	-
Library	30,609	-	965
Traffic Control	71,489	-	-

The following resources used to finance the fixed assets:

Description	2008 ACTUAL R	2009 BUDGET R	2009 ACTUAL R
Consolidated Capital Development Fund	-	-	-
Contributions from Reserves	-	-	-
Grants & Subsidies	111,868	11,616,000	17,883,422
Land iro PI Fund	-	-	-
Public Improvement Funds	-	-	-
Municipal Revenue	259,892	5,760,000	249,763
Grand Totals	371,760	17,376,000	18,133,185

5. EXTERNAL LOANS, INVESTMENTS AND CASH

Details of all external loans can be found in 'Appendix B'. As at 30 June 2009, outstanding external loans amounted to R 621 484 of which R448 484 related to Water & Sanitation in



respect of the uMgungundlovu District Municipality. An amount of R 234,497 was repaid in the 2008/2009 financial year.

The investment portfolio of the municipality is mostly a representation of unspent grant funds which are invested with banking institutions. These investments at 30 June 2009 amounted to R 26,460,025 (2007/08: R 25,320,344). Interest earned on these investments during the year was R 2,611,425. Refer to note 7 for a more detailed breakdown of the investments.

5. FUNDS AND RESERVES

Information regarding funds and reserves are disclosed in Appendix A and in the notes 1 and 2 of the Annual Financial Statements.

6. DEBTORS

As at 30 June 2009 the total amount of outstanding debtors was R 49,831,530 (2007/08: 41,071,482). Water and Sanitation debtors have been eliminated in these balances. Net debtor's amount to R 24,775,813 (2007/08: R 20,806,951). The provision for bad debts amounts to R25,247,651 (2007/08: R 20,264,531). The bad debt provision is based on all debtors who have not paid for a period of 30 days and above but excludes VAT and debts in respect of property rates.

7. IMPLIMENTATION OF GRAP/GAMAP STANDARDS.

Mpofana has developed a draft GRAP/GAMAP implementation plan which details the processes that will be followed during the conversion of annual financial statements from IMFO method of financial reporting to GRAP/GAMAP standards as required in terms of the MFMA.

Low Capacity Municipalities were given an exemption until the end of year 2009/2010 to make the conversion to GRAP/GAMAP. Mpofana Municipality had anticipated converting to GRAP/GAMAP in the 2008/2009 year which has resulted in the 2008/2009 budget being overstated by the depreciation of fixed assets of approximately R7,1 million.

The key major impacts of the conversion are the following:

- Funds accumulated in terms of the Local Authorities Ordinance will be written off and an Asset Financing Fund will be created which will be supported by concomitant cash invested with the bank, which is not the case at present.
- Assets will be depreciated annually as opposed to reducing the assets by an amount for internal loan repayments in the case of assets funded by loans which was recommended in terms of IMFO method.
- The NRB provision will be regarded as an impairment of an asset.

- The basis used in the calculation of the bad debt provision will be revised to consider the risk categories of each individual debtor group.

Progress to date with the implementation:

- Provisional Treasury under their Municipal Support Programme have appointed Ernst and Young to be the project manager for the conversion.
- The project will be implemented in three phases during the year.
- The supply chain process has commenced for a service provider to be appointed to convert the municipality's fixed asset register to be GRAP compliant.

8. CONCLUSION

The Municipality's financial status is gradually improving and this is due to dedicated Management and officials and through their tireless efforts which are highly appreciated.



Ms. A. Ndlovu
Chief Financial Officer
Mpofana Municipality

30 November 2009

Date Signed